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Donor
Trust

Annual Report **1976**



Interim Financial Report

for the six months ended May 31, 1976

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended May 31, 1976

1. These consolidated financial statements include the accounts of District Trust Company, District Development Corporation Limited, and Allcross Enterprises Limited.
2. Investment securities are recorded at cost. Quoted market value of bonds, stocks and notes at May 31, 1976 amounted to \$7,717,874.
3. Effective December 1, 1975 District Trust Company and Shore to Shore Corporation Limited amalgamated as District Trust Company. Income producing fixed assets are recorded in the accounts of the amalgamated company at appraised value as determined by independent appraisals. The difference between appraised value and former net book value of the assets is recorded as "excess of appraised value over depreciated cost of real property assets".

District Trust Company

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

(Unaudited) as at May 31, 1976

ASSETS

Investments	
Loans	
Mortgages	\$82,673,870
Other Loans	850,059
	<u>83,523,929</u>
Cash and short term deposits	7,061,868
Securities (note 2)	
Bonds	3,054,840
Stocks	2,449,273
Notes receivable	2,317,227
	<u>7,821,340</u>
Income producing fixed assets, net of accumulated depreciation	16,739,859
Investment in other companies and partnerships	1,102,984
	<u>116,249,980</u>
Other Assets	427,021
	<u>\$116,677,001</u>

LIABILITIES

Deposits and borrowings	
Deposits	\$15,831,956
Short term certificates	3,395,244
Guaranteed investment certificates	75,100,491
	<u>94,327,691</u>
Other Liabilities	
Bank loan	1,685,952
Accounts payable and accrued liabilities	723,160
Income tax payable	220,648
Mortgages payable	5,454,458
	<u>8,084,218</u>
Deferred income taxes	590,775
Interest of minority shareholders in subsidiary company	304

SHAREHOLDERS' EQUITY

Capital stock	4,573,043
Retained earnings	2,058,693
Excess of appraised value over depreciated cost of real property assets (note 3)	7,042,277
	<u>13,674,013</u>
	<u>\$116,677,001</u>

CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited) for the six months ended
May 31, 1976

REVENUE

Investments	
Mortgages	\$4,349,635
Other loans	52,200
Investment securities	480,355
Real estate	795,408
	<u>5,677,598</u>
Fees and commissions	252,243
Other income	18,450
	<u>5,948,291</u>

EXPENSES

Interest on deposits and borrowings	3,780,861
Salaries, commissions, benefits	585,985
Real estate	526,212
Premises	73,846
Other operating expenses	398,720
	<u>5,365,624</u>
	582,667
Share of earnings of partnerships	28,000
Earnings before income taxes and extraordinary item	610,667
Income taxes	305,000
	<u>305,667</u>
Extraordinary item	
Gain on sales of investment securities	47,000
NET EARNINGS FOR THE PERIOD	<u>\$ 352,667</u>

EARNINGS PER SHARE

Earnings before extraordinary item	11.9¢
Extraordinary item	1.8¢
Net earnings for the period	<u>13.7¢</u>

DIVIDENDS PER SHARE PAID DURING PERIOD

Regular dividends	10.0¢
Special dividend	80.0¢
Total dividends per share	<u>90.0¢</u>

(See notes to consolidated financial statements overleaf)



SERVICES

First Mortgage Loans
Personal Loans
Guaranteed Investment Certificates
Chequing Accounts
Savings Accounts
Registered Retirement Savings Plans
Registered Home Ownership
Savings Plans
Real Estate Sales
Real Estate Appraisals
Property Management
Trustee — Corporate and Personal
Estate Planning
Executor and Administrator Services
Prepaid Deposit by Mail
Safety Deposit Boxes and Safekeeping

OFFICES

LONDON

Main Branch — 484 Richmond Street 672-0610
Corporate Office — 383 Richmond Street 434-6013
Covent Market Building 434-6024
370 Queens Ave. — Real Estate 672-9080

STRATHROY

26 Front Street 245-1090
12 Caradoc Street — Real Estate 245-3322

GUELPH

Wellington and Gordon Streets 821-2160

ELMIRA

24 Arthur Street S. 669-5186

KITCHENER

259 King Street W. 579-4020

TORONTO

65 Queen Street West 363-1563

BRANTFORD

233 Colborne St. — Real Estate 753-4105

DISTRICT TRUST COMPANY

Eleven months ended October 31, 1976

FINANCIAL HIGHLIGHTS

STATEMENT OF INCOME	Eleven Months 1976	See Note 2(b) 1975
Total Income	\$ 11,252,891	\$ 10,916,768
Income Before Extraordinary Item	\$ 637,313	\$ 591,842
Net Income	\$ 637,313	\$ 778,267
Net Income Per Share	\$.25	\$.31
Dividends Per Share	\$ 1.00	\$ 1.45

BALANCE SHEET

Mortgages	\$ 88,074,515	\$ 77,579,749
Income Producing Real Estate And Land Held For Development	\$ 16,986,013	\$ 10,306,173
Total Assets	\$119,905,643	\$101,525,575
Shareholders' Equity	\$ 13,521,400	\$ 8,310,712

A MESSAGE FROM THE CHAIRMAN OF THE BOARD

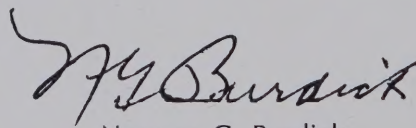
This Annual Report continues the success story of an enterprise which was established in the expansionist era of the 1960's by men of vigour, vision and experience. As Chairman of the Board and on your behalf I wish to recognize the contribution of the founders of our Company and particularly mention those who, this year, have retired or are retiring from the Board of Directors.

Raymond J. Hare was President and Chairman of the Board of both Shore to Shore Corporation Limited and District Trust Company, and guided the Company through its formative years. He is responsible, in no small way, for the success it has enjoyed. Sidney Brown, Lyle H. Gray, Frederick O. Kime, Melvin Wolfond, Joseph Wolfond and J. G. Clark Wright were founding Directors of the Company. I wish also to recognize the contributions of Kenneth L. Cunningham, who has retired as a Director and Executive Vice-President of the Company.

It is a tribute to the wisdom and abilities of these retiring directors that, of the many trust companies which were launched in Ontario during the 1960's, District Trust is one of the few which has survived as a strong, growing, independent entity.

During the year we welcomed to the Board of Directors Robert J. Hare and Terry C. Uptigrove.

The success of our Company is, of course, the culmination of the efforts of many people. On behalf of your Board of Directors, I wish to express our deep appreciation to all our employees and to our thousands of clients.

A handwritten signature in dark ink, appearing to read "Norman G. Burdick", with a stylized, flowing script.

Norman G. Burdick

CHAIRMAN OF THE BOARD

A MESSAGE FROM THE PRESIDENT

As we conclude our thirteenth year of operation, we can look back with pride over a unique and creative chapter in our Company's history. During these past eleven months, we have seen the creation of a new District Trust, revitalized by amalgamation and eager to build vigorously upon a capital base fashioned from the successes of our past efforts. We are confident that the coming years will record the successful realization of this potential.

Comparisons between the financial results for the eleven months ended October 31, 1976 and the previous fiscal period are difficult due to the disparate time spans involved, and to the changing form of the amalgamated Company. These factors are discussed fully in the notes accompanying the financial statements which follow. However, during these eleven months we have recorded an increase in income, before extraordinary item, of 7.7%, to \$637,313, or 25¢ per share. Our mortgage portfolio increased by more than 13% to \$88 million. Deposits increased by nearly \$15 million, due in large part to the continued enthusiastic acceptance by our customers of the attractive terms offered by our Guaranteed Retirement Savings Plan.

The auditors' report and Note 11 to the financial statements make reference to the addition to District Trust upon amalgamation of certain assets which do not meet the investment provisions of the Loan and Trust Companies Act. These assets, due to size or type, must in due course be converted into other assets which meet the Act's requirements. Steps are already being taken to do this. However, no immediate total conversion is necessary, and we will strive to accommodate both regulatory factors and financial considerations in this process.

(Continued)

A MESSAGE FROM THE PRESIDENT (Continued)

During the 1976 fiscal period the Company paid quarterly dividends of 5¢ per share and a special dividend of 80¢ per share, a total of \$1.00 per share. This special dividend was paid to pass on to shareholders a part of our equity that had resulted from past gains of a capital nature. This distribution still leaves an equity base more than adequate for our desired growth in the next few years.

To more fully utilize our equity base, the Company has embarked on a program of branch expansion and the creation of additional customer services. I would like to welcome John F. Visser, who has joined us in the newly established position of Superintendent of Branches. January 18, 1977 marked the opening of our Port Colborne Branch under the management of George A. Mitchell. All indicators point to a successful representation of the Company in the Niagara Peninsula. The site for another branch in Western Ontario has been secured and we intend to commence operations in late spring. A number of other areas are being studied for further Company penetration. In the second quarter of 1977, we will offer Deferred Profit Sharing Plans and Income Averaging Contracts. Also, recognizing the value of that segment of our society who are approaching retirement, special considerations will be introduced to serve their needs.

Despite indications that the financial climate during the coming year will be less than buoyant, we are confident that District Trust Company will continue to grow and to prosper as it meets the challenges which lie ahead.



Robert C. Allen

PRESIDENT

DISTRICT TRUST COMPANY

DIRECTORS

ROBERT C. ALLEN
President, District Trust Company
London, Ontario

WILLIAM J. AMOS
President, William J. Amos
Insurance Agency Limited
Parkhill, Ontario

BENTLEY I. BALDWIN
Honorary Chairman of the Board
District Trust Company
London, Ontario

WILLIAM C. P. BALDWIN
President, Baldwin Garments Limited
London, Ontario

NORMAN G. BURDICK
Vice President & General Manager
Kingsmill's Limited
London, Ontario

J. DUNCAN EDMONDS
President, JDE Consulting Services Limited
Ottawa, Ontario

LYLE H. GRAY
Vice-President, L. H. Gray & Son Limited
Ridgetown, Ontario

ROBERT J. HARE, SOLICITOR
Partner, Hare & Keller
Kitchener, Ontario

FREDERICK O. KIME, F.C.A.
Senior Partner, Kime & Co.
Chartered Accountants
London, Ontario

GORDON A. MACKAY, Q.C.
Senior Partner, Mackay, Kirvan, Guy
Kitchener, Ontario

JOHN A. McNEE
President, Adam-McNee Limited
London, Ontario

JOHN B. NASH
President, John A. Nash & Son Ltd.
London, Ontario

HARVEY M. ROMOFF
Assistant Vice-President, Corporate
Development - Canadian Pacific Limited
Montreal, Quebec

FREDERICK P. SCHNEIDER
Chairman of the Board
Schneider Corporation
Kitchener, Ontario

ROBERT A. SCHULTZ, C.A.
Vice-President & General Manager
District Trust Company
Waterloo, Ontario

JAMES H. STRINGHAM
Senior Executive Vice-President
Ralston Purina of Canada Limited
Brampton, Ontario

TERRY C. UPTIGROVE, C.A.
Treasurer, Armel Corporation
Guelph, Ontario

JOSEPH WOLFOND
Retired Corporate Executive
Guelph, Ontario

J. G. CLARK WRIGHT
President
E. G. Wright Central Ltd.
Strathroy, Ontario

DISTRICT TRUST COMPANY

OFFICES

Corporate Office

383 Richmond Street, London, Ontario
434-6013

LONDON

484 Richmond Street 672-6010
Covent Market Building 434-6024

STRATHROY

26 Front Street 245-1090

GUELPH

Wellington and Gordon Streets 821-2160

ELMIRA

24 Arthur Street S. 669-5186

KITCHENER

259 King Street W. 579-4020

TORONTO

65 Queen Street West 363-1563

BRANTFORD

233 Colborne Street 753-4105

PORT COLBORNE

43 Clarence Street 835-2555

SERVICES

First Mortgage Loans

Personal Loans

Guaranteed Investment Certificates

Chequing Accounts

Savings Accounts

Registered Retirement Savings Plans

Registered Home Ownership Savings Plans

Real Estate Sales

Real Estate Appraisals

Property Management

Trustee — Corporate and Personal

Estate Planning

Executor and Administrator Services

Prepaid Deposit by Mail

Safety Deposit Boxes and Safekeeping

DISTRICT TRUST COMPANY

OFFICERS

Chairman of the Board
NORMAN G. BURDICK

Secretary
GORDON A. MACKAY, Q.C.

President
ROBERT C. ALLEN

Assistant Secretary
RONALD C. NICKLE

Vice-President
ROBERT A. SCHULTZ, C.A.

Treasurer
RONALD R. BOBBIE, C.A.

Vice-President, Mortgages
PETER A. WILSON

Assistant Treasurer
PETER L. EUDOXIE

DISTRICT TRUST COMPANY

HEAD OFFICE
383 Richmond Street, London, Ontario

TRANSFER AGENT AND REGISTRAR
The Canada Trust Company
110 Yonge Street, Toronto, Ontario

AUDITORS
Thorne Riddell & Co.

SOLICITORS
Mackay, Kirvan & Guy

BANKERS
Canadian Imperial Bank of Commerce

Shares listed on the Toronto Stock Exchange

AUDITORS' REPORT

To the Shareholders of
District Trust Company

We examined the consolidated balance sheet of District Trust Company as at October 31, 1976 and the consolidated statements of income and retained earnings for the eleven months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1976 and the results of their operations for the period then ended, in accordance with generally accepted accounting principles which, except for the changes in accounting practice referred to in note 4 to the consolidated financial statements, have been applied on a basis consistent with that of the preceding period.

We further report that certain assets of the company do not qualify as investments under the provisions of The Loan and Trust Corporations Act. (Note 11)

London, Ontario
December 15, 1976


Chartered Accountants

DISTRICT TRUST COMPANY

CONSOLIDATED STATEMENT OF INCOME

Eleven months ended October 31, 1976

	Eleven Months 1976	See Note 2(b) 1975
Income		
Mortgages and other loans	\$ 8,391,057	\$ 7,914,896
Investment securities	918,532	993,090
Fees and commissions	130,411	136,726
Real estate commissions	352,290	565,564
Investment properties	1,361,487	1,249,505
Other	99,114	56,987
	<u>11,252,891</u>	<u>10,916,768</u>
Expense		
Interest on deposits and borrowings	7,392,124	6,714,937
Salaries and staff benefits	996,954	1,022,569
Investment properties	932,088	975,728
Administrative	729,494	800,329
Real estate sales commissions	193,110	224,293
Premises	151,342	160,251
	<u>10,395,112</u>	<u>9,898,107</u>
	857,779	1,018,661
Share of income of partnerships	52,231	56,261
	<u>910,010</u>	<u>1,074,922</u>
Gain on sale of securities and income producing real estate	62,964	74,961
Income before income taxes and extraordinary item	<u>972,974</u>	<u>1,149,883</u>
Income taxes		
Current	136,345	366,685
Deferred	199,316	191,356
	<u>335,661</u>	<u>558,041</u>
Income before extraordinary item	637,313	591,842
Income tax reduction realized on application of prior years' losses		186,425
NET INCOME	<u><u>\$ 637,313</u></u>	<u><u>\$ 778,267</u></u>
Earnings per share		
Income before extraordinary item	\$.25	\$.24
Extraordinary item		.07
Net income	<u><u>\$.25</u></u>	<u><u>\$.31</u></u>

DISTRICT TRUST COMPANY

(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1976

(with comparative figures at November 30, 1975)

ASSETS

	1976	1975
Loans and advances		
Mortgages	\$ 88,074,515	\$ 77,579,749
Loans on securities	607,492	933,872
Personal loans	189,724	267,761
Advances to estates, trusts and agencies	6,000	8,100
	<hr/> 88,877,731	<hr/> 78,789,482
Cash and term deposits	4,525,331	1,773,647
Securities (note 3)	5,333,020	4,948,395
Notes receivable	2,441,048	4,423,682
Receivable from officers and shareholders	117,626	304,003
Accounts receivable	118,768	66,223
Income producing real estate and land held for development (note 4)	16,986,013	10,306,173
Investment in partnerships and other companies (note 5)	991,103	378,298
Leasehold improvements and equipment	179,653	124,292
Goodwill		125,780
Other	335,350	285,600
	<hr/> <hr/> \$119,905,643	<hr/> <hr/> \$101,525,575

LIABILITIES

Deposits and borrowings

Demand deposits	\$ 7,339,681	\$ 7,049,083
Short term certificates	2,809,319	1,033,156
Guaranteed retirement savings plan deposits	9,044,043	3,997,334
Guaranteed investment certificates	78,485,555	70,982,722
	<u>97,678,598</u>	<u>83,062,295</u>

Other liabilities

Bank loan (note 6)	2,177,978	1,118,909
Accounts payable and accrued liabilities	578,425	795,874
Income taxes	20,231	168,011
Dividends payable		1,994,325
Mortgages payable	5,074,366	5,434,031
Deferred income taxes	786,427	587,111
Interest of minority shareholders in subsidiary companies	68,218	54,307
	<u>8,705,645</u>	<u>10,152,568</u>

SHAREHOLDERS' EQUITY

Capital stock (note 7)	4,573,020	4,530,443
Retained earnings	1,845,874	3,780,269
Excess of appraised value of real property over depreciated cost	7,102,506	
	<u>13,521,400</u>	<u>8,310,712</u>
	<u>\$119,905,643</u>	<u>\$101,525,575</u>

Approved by the Board

ROBERT C. ALLEN, Director

ROBERT A. SCHULTZ, Director

DISTRICT TRUST COMPANY

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Eleven months ended October 31, 1976

	Eleven Months 1976	See Note 2(b) 1975
Balance at beginning of period	\$ 3,780,269	\$ 6,906,030
Net income	637,313	778,267
	<hr/> 4,417,582	<hr/> 7,684,297
Dividends	2,571,708	3,706,256
	<hr/> 1,845,874	<hr/> 3,978,041
Excess of cost over book value of company shares		197,772
BALANCE AT END OF PERIOD	<hr/> <u>\$ 1,845,874</u>	<hr/> <u>\$ 3,780,269</u>

DISTRICT TRUST COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1976

1. AMALGAMATION

The company was formed on December 1, 1975 by the amalgamation of Shore to Shore Corporation Limited and District Trust Company. Since such event represented only a change in form rather than in substance, the accompanying consolidated financial statements have been prepared substantially on the same basis as in previous years.

2. ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of District Trust Company and District Development Corporation Limited for the eleven months ended October 31, 1976 and Allcross Enterprises Limited for the year ended September 30, 1976.

(b) Comparative figures

The figures given for comparative purposes include the following:

Balance Sheet

November 30, 1975 for Shore to Shore Corporation Limited, District Trust Company and District Development Corporation Limited
September 30, 1975 for Allcross Enterprises Limited

Income Statement

Year ended November 30, 1975 for Shore to Shore Corporation Limited
Thirteen months ended November 30, 1975 for District Trust Company and District Development Corporation Limited
Year ended September 30, 1975 for Allcross Enterprises Limited

Certain 1975 figures have been reclassified to conform with the accounting presentation adopted for 1976.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(c) Loans, advances and receivables

Mortgages are stated at cost, which includes amounts advanced, accrued interest, and other charges, less repayments. The amount of accumulated payments by mortgagors to District Trust Company in respect of property taxes, net of such taxes paid by the company, is included in "Accounts payable and accrued liabilities."

Other loans, advances and receivables are stated at cost plus, where applicable, accrued interest less repayments.

(d) Securities

Bonds and stocks are stated at cost plus accrued income.

(e) Income producing real estate and land held for development

Land, buildings and improvements held by the companies and the partnerships at December 1, 1975 are stated at appraised values established by J. W. Egerton, M.A.I., A.A.C.I., C.R.E.; S.E. Farley, A.A.C.I.; and A. Fish, F.R.I., A.A.C.I. as at dates from June 1, 1975 to October 3, 1975. The excess of these values over depreciated cost as recorded in the accounts at December 1, 1975 is included as part of shareholders' equity and the appropriate portion is transferred to retained earnings upon realization through dispositions.

Land and buildings acquired subsequent to December 1, 1975 are stated at cost.

The company follows the policy of capitalizing as land held for development such direct carrying costs as mortgage interest financing costs, realty taxes and other costs less rental incomes which pertain to such properties.

Architectural design fees and other costs relating to proposed developments are deferred pending completion or abandonment of the project and are then capitalized or expensed. These costs are included in "Other Assets."

(f) Leasehold improvements and equipment

Leasehold improvements and equipment used in the companies' operations are stated at cost less accumulated depreciation.

(g) Depreciation

The companies record depreciation of the cost or appraised value of buildings on a forty year sinking fund basis. Under this method, depreciation is charged in a series of annual instalments increasing at the rate of 5% compounded annually and will result in a substantially higher depreciation charge in later years. For the purpose of calculating depreciation on buildings held at December 1, 1975, an estimated remaining useful life of 30 years has been used.

Improvements are being depreciated by the straight-line method over 10 years from December 1, 1975 or dates of acquisition, if later, on the basis of appraised values or cost.

Depreciation of equipment is being determined by the straight-line method using an annual rate of 10% applied to historical cost. Leasehold improvements are being depreciated by the straight-line method over the term of the leases plus the first renewal option period.

(h) Investment in partnerships and other companies

The company's one-half interests in partnerships are carried at cost plus the company's share of income less drawings plus one-half of the increase in appraised values over depreciated cost of land and buildings as determined by the appraisals referred to in note 2(e).

Investments in other companies are recorded at cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(i) Income taxes

Deferred income taxes arise from claiming depreciation and other items for income tax purposes in amounts differing from those recorded in the accounts.

(j) Other

Fees from estate, trust and agency accounts are recorded using the accrual basis of accounting. Securities and other property held by the trust department in a fiduciary or agency capacity are not included as assets in the consolidated balance sheet.

3. SECURITIES

	1976		1975	
	Book Value	Market	Book Value	Market
Bonds				
Government of Canada	\$1,519,849	\$1,442,224	\$1,341,364	\$1,244,178
Provinces of Canada	653,931	512,739	640,081	490,935
Municipal	125,835	97,363	123,250	94,269
Other	622,166	516,159	1,140,487	1,035,214
	<u>2,921,781</u>	<u>2,568,485</u>	<u>3,245,182</u>	<u>2,864,596</u>
Stocks	<u>2,411,239</u>	<u>2,762,912</u>	<u>1,703,213</u>	<u>1,756,368</u>
	<u>\$5,333,020</u>	<u>\$5,331,397</u>	<u>\$4,948,395</u>	<u>\$4,620,964</u>

4. INCOME PRODUCING REAL ESTATE AND LAND HELD FOR DEVELOPMENT

	1976		1975	
	Cost or Appraised Value	Accumulated Depreciation	Net	Net
Land	\$ 4,864,147	\$	\$ 4,864,147	\$ 2,347,948
Buildings and improvements	8,430,237	135,151	8,295,086	6,768,688
Equipment	24,295	4,096	20,199	30,917
	<u>13,318,679</u>	<u>139,247</u>	<u>13,179,432</u>	<u>9,147,553</u>
Land held for development	<u>3,806,581</u>		<u>3,806,581</u>	<u>1,158,620</u>
	<u>\$17,125,260</u>	<u>\$ 139,247</u>	<u>\$16,986,013</u>	<u>\$10,306,173</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Changes in accounting practice

- i) On December 1, 1975 the companies revalued the income producing real estate and land held for development on the basis of the appraisals described in note 2(e).
- ii) In 1975 and prior years, District Trust Company did not follow the depreciation policy adopted by Shore to Shore Corporation Limited. For 1976 and subsequent years depreciation on income producing real estate held by District Trust Company prior to the amalgamation is being calculated by the method set out in note 2(g). While this change in depreciation policy will have a significant effect on income in future fiscal periods, the effect on net income in 1976 was insignificant.

5. INVESTMENT IN PARTNERSHIPS AND OTHER COMPANIES

	1976	1975
Glenridge Shopping Centre		
Partnership interest 50%	\$ 57,550	\$ 51,342
Appraisal increase	572,702	
	<u>630,252</u>	<u>51,342</u>
Edinburgh Shopping Centre		
Partnership interest 50%	88,601	95,078
Appraisal increase	40,372	
	<u>128,973</u>	<u>95,078</u>
International By-Products B.V.		
Promissory note	226,964	226,964
International By-Products Limited		
Shares, 49% interest	4,900	4,900
Heathshore Realty Limited		
Shares, 28% interest	14	14
	<u>\$991,103</u>	<u>\$378,298</u>

International By-Products Limited has a 55% interest in an Austrian company Steirische Tierkörperverwertungs G.M.b.H.

6. BANK LOAN

The bank loan is secured by a pledge of certain of the company's securities.

7. CAPITAL STOCK

Authorized

- 1,300,000 Preference shares with a par value of \$10 per share issuable in series
- 6,500,000 Class A convertible common shares without par value
- 6,500,000 Class B convertible common shares without par value

Issued

- 403,863 Class A convertible common shares
- 2,167,840 Class B convertible common shares
- 2,571,703

\$4,573,020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Class A and Class B common shares are convertible one into the other at any time at the option of the holder and rank equally in all respects. The maximum number of A and B common shares which may be outstanding at any time is restricted to a total of 6,500,000 shares. Dividends paid on Class A common shares are taxable dividends for income tax purposes. Dividends paid on Class B common shares may be free of immediate income tax in the hands of the recipients if the dividends are paid from tax-paid undistributed surplus on hand or from 1971 capital surplus on hand both as defined by The Income Tax Act. Such dividends on the Class B common shares reduce the shareholder's adjusted cost base of these shares.

At November 30, 1975 there were outstanding 2,562,184 Class A and Class B convertible common shares of Shore to Shore Corporation Limited with a paid-in value of \$4,530,443.

Outstanding options to purchase Class A convertible common shares are as follows:

48,000 at prices ranging from \$3.50 to \$5.00 per share, expiring June 15, 1977
3,850 at \$4.25 per share, expiring February 7, 1979.

The potential dilution if these options are exercised would not materially affect earnings per share.

8. LEASE OBLIGATIONS

Contractual obligations in respect of company occupied leased premises to 1980 amount to \$184,086 payable as follows:

1977	\$58,097
1978	50,305
1979	44,607
1980	31,077

9. GUARANTEED TRUST ACCOUNT

Assets held for guaranteed deposits consist of:

	1976	1975
Cash	\$ 4,421,207	\$ 952,096
Securities	2,004,666	2,198,359
Mortgages	88,074,515	77,579,749
Other loans and advances	3,178,210	2,332,091
	<u>\$97,678,598</u>	<u>\$83,062,295</u>

10. ANTI-INFLATION ACT

The company is subject to the Anti-Inflation Act which provides for the restraint of dividend payments. Maximum dividends that the company can pay or declare up to October 13, 1977 in the 1977 fiscal year are \$1.51 per share.

11. OTHER INFORMATION

As a result of the amalgamation of District Trust Company and Shore to Shore Corporation Limited (note 1) certain assets came into the company which do not meet the investment provisions of The Loan and Trust Corporations Act.

The aggregate direct remuneration paid or payable to directors and officers as defined by The Loan and Trust Corporations Act was \$224,351 (1975, \$202,606).

Included in expenses is depreciation amounting to \$174,077 (1975, \$191,177).

